

This is the first report to shareholders since the acquisition of Brascan Resources Limited by Western Mines Limited. Comparative financial results are expressed on a combined basis in accordance with the accounting treatment explained in Note 1 to the financial statements.

NET INCOME AND CASH FLOW

Net income for the first half of 1980 was \$15.6 million (\$.89 per common share) compared with \$10.6 million (\$.63 per common share) for 1979. Cash flow from operations for the first six months was \$29.1 million (\$1.73) compared with 1979 results of \$17.1 million (\$1.02).

In the three months to June 30, 1980 net income was \$7.5 million (\$.41 per common share). This compares with the second quarter 1979 income of \$5.1 million (\$.31 per common share). Cash flow for the three months ended June 30, 1980 was \$13.1 million (\$.78 per common share) compared to 1979 results of \$8.1 million (\$.48). At mid-year working capital stood at \$32 million (\$1.90).

PETROLEUM DIVISION

During the six months ended June 30, 1980 the Company participated in drilling 57 wells resulting in 32 potential gas wells, 10 potential oil wells and 15 dry and abandoned wells; a 74% success ratio. In the second quarter the Company participated in 20 wells resulting in 13 potential gas wells, 4 potential oil wells with 3 dry and abandoned; a success ratio of 85%.

Production of natural gas and crude oil and condensate during the first half of 1980 showed satisfactory increases over the corresponding periods for 1979.

	1980		1979	
	Second Quarter	First Half	Second Quarter	First Half
Crude oil and Condensate B/D	1693	1679	1085	1129
Natural Gas MMCF/D	39.5	44.3	35.3	38.7

The drop in natural gas sales in the second quarter reflected seasonal demand.

Highlights of the Petroleum Division in the quarter were:

- The oil discovery at the Issungnak O-61 well in the Beaufort Sea. This well in which the Company has a 2% interest was drilled at no cost to the Company. Western holds a 12% interest in approximately 290,000 acres adjacent to the discovery.
- The completion of the Botha-Chinchaga gas plant in northwestern Alberta. Western's share of production at capacity is 10 million cu. ft. per day of natural gas and 780 B/D of natural gas liquids. Production from this plant is scheduled to commence in August.

MINING DIVISION

During the second quarter the concentrator treated 82,795 tons of ore at a rate of 1,022 tons per operating day. The grade of ore milled was at the ore reserve average. Underground development was 50% higher than for the corresponding period in 1979. Manpower was 10% higher at 299.

Site preparation for the No. 2 Shaft at the H-W orebody was completed in early June. Collaring of the shaft has commenced. Concrete has been poured for the hoist foundations and the project is proceeding on schedule. Surface and underground drilling continued on the Creek Zone with three drills. By the end of June the drilling had indicated that the H-W orebody had a strike length of 2,400 feet and a dip length of 1,400 feet at its widest. The ore zone remains open in all four directions.

The drilling on the Keystone property has been completed and an evaluation of results is in progress. An option agreement has been entered into on a tungsten property in the Yukon Territory and field work is underway. Detailed geological, geochemical and geophysical programs have commenced on the Dubawnt uranium project in the Northwest Territories and on the Lake Detour properties in northwest Ontario.

OPERATING STATISTICS

(Three months ending June 30, 1980)

	Ore		Concentrate	
	Grades	Recoveries	Grades	
Copper %	1.22	81.0	26.6	
Zinc %	7.76	82.4	53.5	
Lead %	1.22	81.9	43.7	
Gold oz.	.08			
Silver oz.	3.86			

OUTLOOK

Additional gas sales are expected to commence before the end of the third quarter and this should have a positive impact on results during the fourth quarter and into the future. Exploration expenditures in the Petroleum Division will be increased during the second half of the year which will partially defer taxes on income from the Mining Division. The Company looks forward to further improvement in both cash flow and earnings in the second half of the year.

A. W. Farmilo

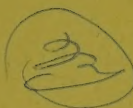
A. W. Farmilo
Chairman

P. M. Marshall

P. M. Marshall
President and
Chief Executive Officer

Vancouver, B.C.
August 1, 1980

Interim Report to Shareholders
JUNE 30, 1980



WESTERN MINES LIMITED

BOX 49066 - THREE BENTALL CENTRE VANCOUVER, B.C. V7X 1C4

STATEMENT OF CONSOLIDATED INCOME (Prepared Without Audit)

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	1980	1979	1980	1979
(Thousands of dollars)				
Income by segment before unallocated expenses:				
Mining	\$5,427	\$4,797	\$12,287	\$ 8,111
Petroleum	5,910	3,892	13,043	8,172
Investment income	11,337	8,689	25,330	16,283
Other income	1,150	1,101	2,619	4,522
	138	135	268	280
	12,625	9,925	28,217	21,085
Unallocated expenses:				
Mineral exploration	926	818	1,705	1,441
Interest	48	—	592	—
General corporate	1,180	681	1,554	1,554
Income and mining taxes	(409)	1,930	390	3,271
— current	3,397	1,360	8,404	4,238
— deferred	5,142	4,789	12,645	10,504
Net income	\$7,483	\$5,136	\$15,572	\$10,581
Earnings per share (Note 2):				
Basic	\$.41	\$.31	\$.89	\$.63
Adjusted	\$.31	\$.19	\$.66	\$.41
Cash flow per share (before capital expenditures and preferred dividends)	\$.78	\$.48	\$ 1.73	\$ 1.02

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION (Prepared Without Audit)

	Six Months Ended June 30	
	1980	1979
(Thousands of dollars)		
Funds provided:		
Operations	\$29,109	\$17,111
Share capital issued	5,544	2,011
Other	(5,553)	(295)
	29,100	18,827
Funds used:		
Capital expenditures	18,154	11,175
Dividends paid (Note 3)	21,187	2,872
	39,341	14,047
Increase (decrease) in net current assets	(10,241)	4,780
Net current assets, beginning of period	42,241	44,545
Net current assets, end of period	\$32,000	\$49,325

CONDENSED CONSOLIDATED BALANCE SHEET

	June 30	
	1980	1979
(Thousands of dollars)		
ASSETS		
Current	\$ 49,068	\$ 57,022
Property, plant and equipment	143,158	95,723
Other	7,352	7,289
	\$199,578	\$160,034
LIABILITIES		
Current	17,068	7,697
Deferred taxes	18,232	4,557
Advance from affiliate	—	1,500
Shareholders' equity	100,000	100,000
Preferred	36,880	31,297
Common	27,398	14,983
Retained earnings	\$199,578	\$160,034

NOTES TO FINANCIAL STATEMENTS

June 30, 1980
(Thousands of dollars)

The statements are unaudited but include all adjustments which in management's opinion are necessary for a fair presentation.

1. Reorganization

On June 4, 1980 the shareholders approved the acquisition by the Company of all of the shares of Brascan Resources Limited from Great Lakes Power Corporation Limited, in consideration for the issuance of 1,000,000 floating rate cumulative Class A Preferred shares and 14,135,859 Common shares. Brascan Resources Limited has controlled Western since 1976, and accordingly, the transaction has been treated as a reorganization of shareholder interests with no new basis of accounting for the assets and liabilities of the respective companies. For accounting purposes the consolidated financial position of Brascan Resources and its former subsidiary, Western, has been carried forward with the minority interest attributable to Western reallocated to its share capital and retained earnings components respectively and the results of operations restated to eliminate retroactively the provision for minority interest.

2. Earnings Per Share

Basic earnings per share give effect to preferred dividends from June 5, 1980 only and are calculated as if the common shares issued on acquisition of Brascan Resources Limited had been outstanding throughout 1979 and 1980. Adjusted basic earnings per share are calculated to reflect the earnings per common share as though the preferred dividends had been payable from January 1, 1979.

3. Dividends paid are as follows:

	By Brascan Resources Limited prior to acquisition	
	Class A preferred shares issued June 4, 1980	Common (net of amount paid to Brascan Resources Limited)
	590	267
	\$21,187	\$2,672

4. Statutory Disclosure

	Three Months Ended		Six Month Ended	
	June 30		June 30	
	1980	1979	1980	1979
Gross operating revenue	\$21,024	\$14,763	\$44,108	\$28,996
Depreciation, depletion and amortization	2,189	1,318	4,410	2,852